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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

WOOL-24 December 10, 1938

THE WOOL SITUATION

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Summary

Sales of raw wool in the domestic market were small in November but prices showed little change during the month, reports the Bureau of Agricultural Economics. Advance sales of wool fabrics by mills for the spring season are reported to be much larger than in late 1937, and mill consumption is expected to be well maintained in the next few months.

Wool prices, in terms of United States dollars, declined at the London sales in November while prices in the domestic market remained largely unchanged. At the beginning of December the spread between Boston and London quotations for somewhat similar grades of wool was wider than at any time since the latter part of 1937. In view of the continued widening of the spread between domestic and foreign prices, further advances in prices of domestic wool will be limited, unless there is some rise in foreign prices.

As reported in the November issue of the Wool Situation, the carry-over of wool in this country into the 1939 season, beginning April 1, is likely to be smaller than the carry-over into the current season as a result of the recent improvement in mill consumption and the small imports. Imports of apparel wool in the first 10 months of 1938 were only 22.3 million pounds compared with 144 million pounds imported from January to October last year.

The weekly average rate of mill consumption of apparel wool in the United States in October was 4.9 million pounds, scoured basis. This was slightly higher than the September rate of consumption and was 53 percent higher than in

October 1937. Because of the low rate of consumption in the early months of the year, mill consumption of wool on a scoured basis, from January to October 1938 was about 25 percent smaller than in the first 10 months of 1937.

The trade agreement between the United States and the United Kingdom, signed November 17, does not alter the duty of 34 cents per pound clean content on raw wool, and the specific duties on wool manufactures which are designed to compensate for the raw wool duty are mostly unchanged. But the agreement provides for substantial reductions in the ad valorem duties on wool manufactures to become effective on January 1. According to the Department of State most of the concessions are made on distinctively British products which are not directly competitive with the bulk of the domestic output.

On November 1, apparent supplies of wool in the five principal wool exporting countries of the Southern Hemisphere were estimated to be 2 percent larger than a year earlier but were slightly smaller than average November 1 supplies in the 5 years 1932-36. Exports of wool to November 1 of the current season were larger than in the same months last season and also were larger than average exports for that period in the 5 years 1932-36.

Wool production in Australia for 1938-39 is now estimated at 940 million pounds. This is a decrease of 7 percent from the 1937-38 clip and is the smallest production since 1930. Increases in production over the previous season are estimated for other Southern Hemisphere countries, but these increases are more than offset by the prospective decrease in Australia.

RECENT DEVELOPMENTS IN DOMESTIC SITUATION

Background.-As a result of large imports and reduced mill consumption in 1937, the 1938 domestic wool marketing season opened in April with a much larger carry-over of wool than in the previous season. The average farm price of wool, at the opening of the 1938 season was about 45 percent lower than in April 1937. The decline in mill consumption in 1937, however, was greater than the decline in sales of wool goods to consumers, and stocks of manufactured and semi-manufactured wool goods were sharply reduced in the early months of 1938. The Federal Government loan program for wool producers provided an important stabilizing influence on domestic prices in the early months of the 1938 marketing season.

Wool consumption and prices also declined in foreign countries in 1937 and the early months of 1938, but the declines were not so great as in the United States. Since the early summer of this year domestic mill consumption of wool has increased materially and domestic prices have advanced moderately, but there has been little recovery in foreign wool prices in this period.

Wool Sales and Prices

Mill buying in the domestic wool market declined during November. Sales in the last week of the month were very limited, but quotations on graded wools at Boston, while nominal, were unchanged or only slightly lower than in the early part of the month. Combing 3/8 blood bright fleece wools which had advanced to 32-34 cents a pound the second week in November were quoted nominally at 32-33 cents a pound, grease basis, the last week of the month. Prices of fine delaine, bright fleece wools remained unchanged at 29-31 cents, grease basis, during November.

Average prices of most grades of territory wool at the end of November were equal to or slightly higher than prices reported at the end of October. With prices advancing during October and the first week of November and being well maintained during the remainder of November, the November average price for most wools was slightly higher than the October average.

The United States average farm price of wool on November 15 was 20.5 cents a pound compared with 19.7 cents on October 15 and with 26 cents on November 15, 1937.

Wool Imports and Stocks

United States imports of apparel wool for consumption were 4.8 million pounds in October. This is an increase of 2 million pounds over the September imports and is also a slight increase over October 1937. Imports of such wool in the first 10 months of 1938 were only 22.3 million pounds compared with 144 million pounds imported from January to October last year and an average of 42 million pounds for the 5 years 1932-36. The January-October imports this year were the smallest for those months in any recent year except 1932.

Imports of carpet wool for consumption totaled 46 million pounds in the first 10 months of this year compared with 163 million pounds for the same period in 1937. Carpet wool imports this year also have been smaller than in any recent year except 1932.

With imports remaining small, stocks of apparel wool in the United States have been sharply reduced in recent months as a result of large consumption by domestic mills. But because of the larger carry-over into the current season and the small consumption in the early months of 1938, stocks of wool remaining at the end of October are estimated to have been larger than a year earlier.

Production, imports and mill consumption of apparel wool, grease basis, in the United States, specified periods, 1935-38

Year beginning Apr. 1	Production	General imports 1/	Mill consumption
	Million pounds	Million pounds	Million pounds
1935-36	431	83	2/ 673
1936-37	427	164	582
1937-38	433	60	407
Apr.-Oct. 1937	3/ 433	53	290
Apr.-Oct. 1938 prel.	3/ 435	14	285

Imports from the Bureau of Foreign and Domestic Commerce. Consumption from the Bureau of the Census.

1/ Weight as reported; greasy, scoured and skin wool added together.

2/ Stocks of apparel wool in the United States were large at the beginning of 1935.

3/ Production for entire year.

Mill Consumption

The weekly rate of consumption of apparel wool by domestic mills in October was 4.9 million pounds scoured basis. The October rate of consumption was slightly higher than that of September and was 53 percent higher than in October 1937. Because of the low rate of consumption in the early months of this year, consumption of apparel wool scoured basis, from January to October 1938 was about 25 percent smaller than in the first 10 months of 1937.

Mill consumption on a grease basis in the first 10 months of this year was equivalent to 304 million pounds of shorn wool and 54 million pounds of pulled wool. The consumption on a grease basis, from January to October was 90 million pounds smaller than consumption in the same months of 1937.

Unfilled orders for men's wear cloths held by 138 reporting mills on October 1 were slightly larger than a year earlier but orders for women's wear cloths and auto cloths were smaller. An improvement in mill sales of wool goods was reported by the New York Top Exchange service in October and the early part of November. Unfilled orders for men's wear cloths at the end of November were estimated by this service to be about 30 million linear yards which would be almost twice as large as on that date in 1937.

The following table shows unfilled orders reported by mills at the end of each quarter, 1936 to date

Unfilled orders for woven cloth, reported by 138 mills at the end of each quarter, 1936 to date 1/

End of	Men's wear	Women's wear	Auto cloths 2/	Total
	1,000 linear yd.	1,000 linear yd.	1,000 linear yd.	1,000 linear yd.
1936				
1st. quarter	41,159	9,590	1,118	51,867
2nd. "	26,788	10,561	1,294	38,643
3rd. "	24,568	6,500	2,682	33,750
4th. "	38,741	14,733	3,864	57,338
1937				
1st. "	58,170	12,473	2,617	73,260
2nd. "	33,167	12,173	1,912	47,252
3rd. "	15,221	7,541	3,773	26,535
4th. "	16,056	6,403	2,098	24,557
1938				
1st. "	9,732	4,302	1,862	15,896
2nd. "	15,569	8,880	1,285	25,734
3rd. "	15,979	6,869	1,952	24,800

Compiled from Monthly Statistics of Wool Manufacture, published by the National Association of Wool Manufacturers. These 138 mills equipped with 30,000 looms. Cloth less than 50 inches wide reported in equivalent 54-inch yardage.

1/ Reports are for specified dates near the end of each quarter, usually after the 25th of the month.
2/ Excludes cloth with pile or jacquard design.

Trade Agreement with the United Kingdom

The trade agreement between the United States and the United Kingdom, signed November 17, includes concessions on imports of wool manufacturers into the United States which will become effective on January 1. No change is made in the duty of 34 cents a pound, clean content, on raw wool. And the specific duties on wool manufactures, which are intended to compensate for the duties on raw wool, are in general not changed.

The ad valorem portion of the duties on wool manufactures which ranged from 35 to 60 percent under the tariff act of 1930 have been lowered substantially in most cases. The largest reductions, however, are reported by the State Department to be limited mostly to products which are not extensively produced in this country and are not directly competitive with the bulk of the domestic production.

DOMESTIC OUTLOOK

The domestic wool outlook has not changed materially in the past month. Advance sales of wool fabrics by mills for the spring season are reported to be considerably larger than in 1937, and it seems likely that domestic mill consumption

of apparel wool will be well maintained in the early months of 1939.

In view of the substantial increase in mill consumption in recent months it appears that consumption for the year ended March 31, 1939, may be somewhat larger than the domestic production of about 435 million pounds. If imports remain small, as now appears likely, the carry-over of wool into the 1939 season probably will be smaller than the carry-over into the current season.

The decline in wool prices at the London sales in November and the continued decline in the exchange value of the English pound resulted in a further widening of the spread between domestic and foreign prices. At the beginning of December the spread between Boston and London quotations on similar grades of wool was wider than at any time since the latter part of 1937.

In view of the continued increase in the spread between domestic and foreign prices, further advances in prices of domestic wool which might result from the improvement in domestic wool consumption are likely to be limited unless there is some rise in foreign price in terms of United States dollars.

FOREIGN SITUATION

Wool Sales and Prices

London auctions

The final series of London wool auctions for 1938 opened November 22. Prices of greasy merino wools at the opening sales were about 5 percent lower than at the close of the previous series on September 30. Prices of most other wools at the opening were equal to or about 5 percent higher than the September quotations but the advance was not maintained. During the second week of sales prices of practically all wools reverted to the September levels and prices of some wools declined below those of September.

Quotations of London prices in United States dollars reflect the decline in the exchange rate of the English pound between September and November as well as the declines in wool quotations. At the close of the second week of the London sales, average prices in United States dollars for most grades of wool on a clean cost basis were about 1.5 cents a pound below the final September quotations.

England and France were the principal buyers during the first 2 weeks of the sales.

Southern Hemisphere sales

After advancing in the early part of October, wool prices in Australian selling centers were firm and unchanged during the latter part of October and through most of November. England and continental European countries were the chief competitors at last month's sales and there was some bidding by United States buyers on wools of the highest quality. Sales to Japan were moderate. Total disposals of wool in the first 4 months (July-October) of the current Australian season were about 10 percent larger than in the same months of the previous season. Clearances at recent sales have been from 90 to 95 percent of offerings.

The price of Australian 70s warp wool, at the Sydney sales in October averaged, 44.9 cents a pound, clean basis, delivered Bradford, compared with 44.4 cents in September and 63 cents in October 1937.

The average price of 70s warp wool at South African selling centers in October was 45.1 cents a pound clean basis compared with 41.6 cents in September and 56.8 cents in October 1937. England, Germany and France have been the principal buyers at South African selling centers so far this season. Prices were reported firm to slightly lower in the early part of November.

The New Zealand selling season opened at Auckland on November 28. Sales were good at the opening and prices of most wools were reported to be slightly higher than at the opening of the 1937-38 season.

Sales of wool in Argentina and Uruguay in October, the first month of the new selling season, were much larger than a year earlier. Prices were reported to be very firm at country points but were irregular at the Buenos Aires market.

Wool Supplies in Foreign Countries

On November 1, apparent supplies 1/ for disposal in the 5 principal Southern Hemisphere wool exporting countries during the remainder of the 1938-39 selling season are estimated to be only 2 percent larger than a year earlier and are slightly smaller than the average supplies as of November 1 in the 5 years 1932-36.

Exports of wool from Australia, the Union of South Africa and New Zealand in the first 4 months (July to October) of the current season were 7 percent larger than in the same months last year and were 3 percent larger than average exports for those months in the 5 years 1932-36. Exports from Argentina and Uruguay in October, the first month of the South American export season, also exceeded the 5-year average.

Wool exports from 5 Southern Hemisphere countries to October 31 of the 1938-39 season, with comparisons

Country	Period	Average 1932-36	1936	1937	1938 1/
		Mil. lbs.	Mil. lbs.	Mil. lbs.	Mil. lbs.
Australia 2/	July-Oct.	209.3	209.8	203.0	221.0
Union of So. Africa 3/	" "	34.3	37.1	28.7	30.4
New Zealand 2/	" "	25.9	26.6	27.2	25.5
Total 3 countries	" "	269.5	273.5	258.9	276.9
Argentina 4/	Oct.	9.9	7.6	7.0	13.8
Uruguay 4/	"	3.3	2.8	0.4	8.7
Total 2 countries	"	13.2	10.4	7.4	22.5

1/ Preliminary. 2/ Estimates of Dalgety & Co. 3/ Official estimates
4/ Commercial estimates supplied by the Buenos Aires office of the Bureau.

1/ Carry-over from preceding season plus estimated production minus exports from beginning of season to end of October.

Smaller wool production indicated

The National Council of Wool Selling Brokers and Wool Growers of Australia has revised the preshearing estimate of the 1938-39 Australian clip on the basis of receipts into store in the first 5 months of the season. Production for the year is now estimated at 940 million pounds, grease equivalent. This is a decrease of about 7 percent from last year's production and is the smallest production since 1930. Increases in production over the previous season are estimated for the Union of South Africa, New Zealand, Argentina and Uruguay, but these increases are more than offset by the decline in Australia. Total production for the 5 Southern Hemisphere countries is now estimated to be 2 percent smaller than in 1937-38 and also 2 percent below the average for the 5 years 1932-33 to 1936-37.

Because of the larger carry-over into the current season, total supplies available in the 5 principal Southern Hemisphere exporting countries for the 1938-39 season will be larger than last season but may be slightly smaller than the 5-year average.

Wool production in principal Southern Hemisphere exporting countries 1938-39 season, with comparisons

Country	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39 1/
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
Australia	995.9	1015.4	971.1	982.8	1010.0	2/ 940.0
British So.Africa	275.2	210.0	237.8	264.0	233.0	240.5
New Zealand	289.6	265.0	304.3	302.9	296.8	305.0
Argentina	3/364.0	3/348.0	4/364.0	4/373.0	5/365.0	4/ 375.0
Uruguay	104.7	119.0	113.0	116.2	6/116.3	7/ 121.0
Total 5 countries	2,029.4	1,957.4	1,990.2	2,038.9	2,021.1	1,981.5

1/ Preliminary. 2/December estimate of Australian wool selling brokers and wool growers, converted to pounds, grease equivalent. 3/Estimates of the Argentine Ministry of Agriculture, subject to revision. 4/Estimates furnished by the Buenos Aires office of the Bureau of Agricultural Economics. 5/ Revision, based on exports for the 1937-38 season. 6/ Shorn wool production placed at 112,000,000 pounds by 1937 census compared with 132,000,000 pounds reported in 1930 census. 7/Estimates furnished by the Buenos Aires office of this Bureau ranged from 121,000,000 pounds to 132,000,000 pounds.

Supplies in importing countries

Information on wool imports and manufacturing activity indicates that stocks of raw wool in most European importing countries at the end of October were somewhat larger than a year earlier. Wool from the new Southern Hemisphere clip is now arriving in consuming centers and a seasonal increase in stocks in importing countries is likely in the early months of 1939.

Wool imports into Japan from July to September were larger than in the same months of 1936 and 1937 but in view of the small imports of the 1937-38 season, wool stocks in Japan probably remain relatively small.

Manufacturing activity in importing countries

There has been a seasonal improvement in the wool manufacturing industry of the United Kingdom since August. Employment in the woolen and worsted section in October, however, remained below that of a year earlier with 15.8 percent of insured workers registered as unemployed on October 17 compared with 11.3 percent in October 1937 and 7.6 percent in October 1936.

Wool manufacturing activity improved in France and Belgium in October. Production of wool tops in France since May has been larger than in the same months of 1937.

SUPPLEMENTARY DATA

Table 1.- Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38

Market and description	Average		Nov.	1938		
	1936	1937	1937	Sept.	Oct.	Nov.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing, scoured basis						
64s, 70s, 80s (fine)	92.0	101.9	85.9	70.0	71.0	72.8
56s (3/8 blood)	80.4	87.1	72.0	59.0	59.6	61.4
46s (low 1/4 blood)	65.9	72.1	60.6	53.0	53.2	55.0
United States:						
Farm price, 15th of month, grease basis	26.9	32.0	26.0	18.7	19.7	20.5
London: 1/						
Average quality, clean cost 2/						
70s	58.4	62.1	47.6	41.0	40.7	40.2
56s	35.1	46.3	35.4	31.0	30.8	30.4
46s	23.8	39.5	29.7	27.0	27.8	27.5
Bradford: 3/						
Scoured basis-						
64s warp	59.8	64.7	51.1	43.0	43.6	42.7
50s	29.7	43.2	31.3	27.0	27.8	29.1
Australia:						
Average price at selling centers, grease wool 4/	23.0	24.7	21.5	15.1	16.2	
Sydney (delivered Bradford) 70s warp, clean basis 5/	6/62.9	7/67.5	57.7	44.4	44.9	
Union of South Africa:						
Average export price greasy wool	21.4	25.1	22.2	15.4	16.2	
Price at selling centers, 70s warp, clean cost 8/	7/59.2	9/63.2	53.1	41.6	45.1	
Argentina-Buenos Aires						
Coarse crossbred, greasy 10/	11/15.6	12/21.7	--	14.5		
Uruguay-Montevideo						
Crossbred, greasy, 13/						
Fine - 50/56s-60s	34.2	14/36.6	23.4	18.1		
Coarse 32/36s-44s	23.9	14/28.2	18.9	16.8		
United States:						
Textile fibers-						
Wool, territory fine staple 15/	92.0	101.9	85.9	70.0	71.0	72.8
Cotton, 7/8 Middling 16/	11.9	11.2	7.8	8.1	8.55	8.65
Silk, Japanese 13-15 17/	176.6	186.0	164.8	175.9	185.4	180.1
Rayon yarn, 150 denier 18/	58.6	62.2	63.0	51.0	51.0	51.0

Continued -

Table 1.- Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected periods, 1936-38- Continued

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices except United States farm price which is a weighted average.

1/ Average of quotations for each series of London sales reported by the London office of the Bureau. For months when no sales were held, figures are interpolated.
2/ Top and noil in oil.
3/ Quotations reported about the 25th of the month by the London office of the Bureau.
4/ Reports of the National Council of Wool Selling Brokers.
5/ Monthly averages of weekly quotations from the Wool Record and Textile World, England.
6/ 7-month average. No quotations April to August.
7/ 8-month average. No quotations May to August.
8/ South African Ministry for Agriculture.
9/ 10-month average. No quotations July and August.
10/ Wools of south and southeast Buenos Aires Province. Revista Quincenal de Precios - Salaberry Bercetche & Cia.
11/ 10-month average. No quotations August and September.
12/ 4-month average. No quotations April to November.
13/ Boletin de Hacienda, Uruguay.
14/ 6-month average. No quotations May to October.
15/ Scoured basis at Boston.
16/ Average at 10 markets.
17/ 78 percent white at New York Bureau of Labor Statistics.
18/ Bureau of Labor Statistics.

Table 2.-United States: Wool imports, consumption and machinery activity, specified periods, 1937-38

Item	Total 1937	Jan.-Oct.		1937 Oct.	1938	
		1937	1938		Sept.	Oct.
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption actual weight: 1/						
Apparel	150,160	143,577	22,300	4,461	2,838	4,777
Finer than 40s	126,601	121,187	12,977	3,497	1,586	2,652
Not finer than 40s	23,559	22,390	9,323	964	1,252	2,125
Carpet, including camels hair	172,091	162,683	46,297	9,513	9,301	10,436
Consumption, scoured basis: 2/(Weekly av.)						
Apparel	4,772	5,161	3,781	3,219	4,905	4,924
Carpet	2,023	2,264	1,086	985	1,597	1,732
Aggregate-						
Apparel	248,121	227,095	166,365	16,095	19,619	24,619
Carpet	105,197	99,611	47,770	4,925	6,386	8,660
	Percent	Percent	Percent	Percent	Percent	Percent
Machinery activity: 2/ (40-hour shift)-						
Worsted combs	115.2	124.6	89.8	74.6	112.3	115.1
Worsted spindles	82.2	87.8	58.3	57.9	72.7	81.4
Woolen spindles	107.8	116.9	72.0	80.5	89.7	90.9
Looms, broad	97.2	104.3	64.8	68.9	77.2	77.0
Looms, narrow	51.0	55.5	25.1	34.8	27.4	30.7
Carpet & rug looms	71.3	77.7	43.9	52.5	58.1	59.1

Import figures from official records of the Bureau of Foreign and Domestic Commerce, Consumption and Machinery Activity from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.

2/ Figures for October based on 5 weeks, September on 4 weeks, January to October on 44 weeks, no adjustment made for holidays.